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The 20 Most Powerful Questions Property Investors Should Ask

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Disclaimer

Author's Note

Over the many years that we've been buying and investing in property, we've discovered there are some basic, but essential questions you should ask to gather a lot of critical information about a property you're planning to buy. Some are so simple that it's hard to imagine how powerful they can be. Some you may feel silly or embarrassed asking, but do it anyway – but do it anyway - remember "you make your money when you buy" and the purpose of this e-book is to help you to learn how to buy ***well***. We've used these questions over and over and over again and are constantly amazed at the amount of useful information a buyer can gather – just by asking.

Paul Eslick and Geoff Doidge
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TABLE OF CONTENTS

TABLE OF CONTENTS cont. . .

Question 1 : What Is The UCV of the Property?

UCV - Unimproved Capital Value - this is the QLD Government's system of valuing your land for rates and, in some States, land taxes. It ignores any improvements such as the house, filling, retaining walls etc, and can often appear to be on the low side.

What is the land value? Why should somebody ask this?

When you're buying property, you're actually buying the land, not the house. Most people think house prices go up, but they don't. *Land* value goes up! So what you really want to do is to buy something with ***high land value***, and with low house content value—and you'll know this from what the UCV tells you. This UCV is printed on your rates notice.

How the Government and Councils work the UCV out differs all around Australia. But basically it's a value the Government has put on the block of land, not including the structure. It is a fantastic place to start off your negotiations.

> *"I can give you a really good example of that : I went to an auction of two blocks (of land) and a house. The UCV was $1.65 million and it sold for $1.46 million, miles below the UCV, so the bloke who bought it got a house for free and a bonus block of land. Now he only has to pay $240 to get the two blocks on separate titles, and probably make $200,000. It's as simple as that." . . . Paul Eslick*

Canny investors who are looking to steal-a-deal and haven't done their own research on values can use the UCV as a guide to make an offer. If you can buy for the UCV you basically have bought the house and all the improvements for free.

These values are put together by the Office of the Valuer-General all around Australia. In some States they use a different method and are called by a different name, so you can check that in your own State. In some States, they do a combination which is the value of a house, plus the block of land. If you can buy it at the value the Government has given it, then you are doing a fantastic deal.

> *"So "**what's the land value?"** That would be my Number 1 question to ask." . . . P.E.*

> *" Remember, you are buying the land, not the house. Houses depreciate. Land appreciates. The house is there to generate income, but the land is there to give you capital growth." . . . Geoff Doidge*

Question 2 : What Is The Size of The Land?

Again, it's all about the land. You want as much land for your buck as you can get. More land creates options like splitting, sliding, subdividing, and strata titling. For developments like these, always check your local town planning regulations first. Check carefully for requirements on minimum sizes and minimum frontages, among other things.

> *"Lately I've found that these houses I've bought on blocks of land are now becoming big development sites. I'm actually taking off the houses and putting on multiple units, giving me multiple streams of income. " . . . G.D.*

It is important to realize that a lot of States in Australia charge Land Tax. So if you build a large portfolio and you have large blocks of land then your Land Tax will go up. But land gives you options. If you have land of a certain size you might be able to gain driveway access down the side of the house to get around the back and put another dwelling in the back yard.

The development potential of a given block of land all has to do with *set-backs*. *Set-backs* are the distance of the house away from the property boundaries. When building new dwellings, certain regulation set-backs must be observed, and so this influences directly on what sort of development options there might be for the property.

> *"For instance, when I'm looking at a block of land that is ten metres wide, but a hundred metres further down the road there's a block of land that's fifteen metres wide, the fifteen-metre wide block gets my attention straight away - because I know the set-backs. It's all got to do with possible future development scenarios. It's no use trying to find a house that is right on the property boundaries. That would be what is called "Zero Lot". You can't try to do extensions or build upwards - because you can't (according to the rules)! You have to have set-backs (from the boundary), and in fact look for that every time." P.E.*

Additional Research : What is the frontage?

There are often minimum frontages (the width of the block of land when viewed from the street) specified in town planning laws, so get to know these even before you start looking. Then when you're out there looking at properties, take a tape or laser measure with you. Just one metre may mean the difference between a development site or just a house site.

You could buy land for a development site and find it was 2.5 metres too narrow to do anything on it. There are heaps of potential problems like this right around Australia! You'll see the ads, and they'll be saying, "Possible Development Site!" But the land size is not big enough to do your development on. You'll be subject to Council approval and you will never get it! You'd have to buy the house next door to it to be able to develop.

But the fact of the matter is: If you can get a block of land that's got a fairly wide frontage onto the road it doesn't necessarily have to be a perfect fit with the town planning requirements.

> *"I've developed a 537sqm block of land to two separate titles. And a lot of people can do that if it's got a wide frontage. So the size of land and its frontage are very important." . . . P.E.*

NOTE : Get Town Planning advice ***before*** you buy.

Question 3 : Is it a Heritage Area or within a Demolition Control Precinct?

Be very careful of anything that has "HERITAGE" stamped on it. You are ***renovators***, not restorers.

You don't want to be dictated to by Council that you must have a certain "heritage" colour and apply for approval every time you change something. Heritage means emotion, not money. Run away from these properties!

> *"I've seen people get strung up on this because they think they're restorers. But, no you are a renovator, an investor. I saw a guy do this and three years later he sold it unfinished because it had twenty-three colours on a rosette on the ceiling." . . . G.D.*

The other problem-area to watch out for is the DCP - Demolition Control Precinct. (DCP is the terminology in the Brisbane City Council area. Terminology may be different for different Councils around Australia). This is an area with restrictions on alteration or removal of buildings of a certain age. Again these may restrict what you can do with the rest of the site or the house.

You can get all the information about DCPs from your local Council. The property agents would or should have the information too, but they probably wouldn't tell you. So beware. You can get into those areas, and all your grand plans that you were going to do get knocked on the head before you even start.

> *"The trouble is you can go down a street and have five houses that you can do anything to, and you can have two in the middle of that street that have got DCPs all over them. You really need to do your homework with your town planner before you buy a place you are not sure of." . . . P.E.*

Question 4 : Are there any vegetation restrictions on the property?

Many cities have restrictions on what you can and can't do with plants and trees on your land. Get to know these laws as the knowledge could save you a fortune. There are protected species and even individual trees that are protected.

Case Study

> *Scenario :* Naïve developer buys house on big block of land, paying top price because of the 'development potential.' He sees all this land and imagines how lucrative it will be covered with town houses. He doesn't pay attention to the single tree in the backyard.
>
> *Big mistake :* the tree is a protected species.
>
> *Result :* no DA (Development Approval) and no development site. Sadder, but wiser, developer tries to flog the property to the next suspect.

Even a tree on the ***neighbour's*** property can have an effect on your development if it is over-hanging your property and is a protected tree, or of a significant size.

Question 5 : What is the zoning of the property?

A zoning system is used in all States to control the type of property or industry which can exist in certain areas.

Some examples of zonings in the Brisbane City Council area are:

- LR : Low Density Residential (Houses)
- LMR : Low-to-Medium Density Residential (Houses/ Units)
- MP3: Multiple Purpose - Allows for Residential/Commercial and Retail uses

Equivalent zonings, and others, exist right round Australia.

Zonings give clarity to the purpose of the area and are notoriously hard to alter. Zoning maps are online in most States, so it's information you can easily get access to.

This is one of the biggest and best questions you can ask.

> *"Some people go and see a small house on a huge block of land and say, "I'm going to develop this(into a block of units/multi-unit dwelling)!" No, you're not. It may have an 'LR' zoning on it. " . . . P.E.*

Zoning in all States are all controlled. The town planners and Councils can tell you exactly what you can and can't do. So be very careful - just because someone in that street has done a development there on a huge block of land does not necessarily mean you can do the same on the land you are about to buy. You might think to try to get the zoning changed. But who wants to go through that process? It's a massive process to get zonings changed.

Question 6 : Does the property flood?

Who wants a water-front property? Well, you'll get it when you don't really want it if you don't ask this question and research land defects.

Buying land in a flood zone is not the brightest thing to do. But people do it every day because they don't ask this question. This is important if you are in a flood prone area. If it is not disclosed to your insurance company until after it floods, you may lose the claim for insurance should it flood. There are flood maps in most States and many are online. You must check them. If you apply for a DA (Development Approval) at a later date the Council will ask you how you intend to drain the site in a flood - not an easy task.

This is a show-stopper for future developments.

> *"The funny thing is, every time you go and look at properties, and this is the strangest thing : you wouldn't think in a million years that this place could flood. And even scarier than that : it could have overland flow which is probably just as bad as a flood." . . . P.E.*

Overland flow, technically speaking, is water that flows over the land going to a place of discharge and, of course, you are not allowed to stop that.

Find out if your potential site floods or has overland flow from:

1. *Neighbours*. Walk about three or five doors down and find someone who has lived on that particular street for a long time. Knock on their door and say *"Can you tell me more about this area - what happens here when it rains? Does it flood? Is there any overland flow?"* Someone will likely be happy to tell you everything they know.

2. *Local Councils*. Councils will often let you download a flood report for a particular property so you can check it out for yourself. About ninety percent of people who buy a house do not get a flood check done. Worse, their solicitors don't even ask for it in the first place.

3. *Local Insurance Providers*. Ring up your local insurance provider and say, *"I'm thinking of buying a house in this particular street. I'm not sure if it floods. Can you check on your reports whether there are any floods, whether there are any searches I should be conducting, or whether you don't cover for floods at all?"*

   If they say, "*We don't cover for floods in this particular area,"* you don't buy, you run.

Implications of Overland Flow

Some people are switched on to check floods but are unaware of 'overland flow'. The site may not flood, but in extreme weather bringing heavy downpours, water will run over the site on its way to where it *does* flood, or to where the water is collected.

The negatives are:

1. Debris and mud deposited from the flow.

2. If you intend to develop the site, you are not allowed to restrict the flow of the water across the site. This means extra expense for you to design a suspended slab above the water level for your parking and accommodation. This may require carparks and living areas that are elevated possibly 1.2 metres. While it may work as plain 'vanilla' reno, you have good reason to let this site go and find an easier one to develop and add value.

3. You will have to prove to the Council and the bureaucracy that you will not stop that flow going through, which is very difficult if you're building a new house.

4. Overland flow is cruel to your capital gain. Valuers may reduce the value if they discover overland flow affects the property.

Additional Research: Does It Slope Down To The Street?

Related to the overland flow is the slope of the land. This is a practical question. Storm water doesn't run uphill. If the land slopes down to the street, you simply drain it down to the road kerb and channel. There are a lot of stalled development sites out there because they can't get the storm water off the site.

Question 7 : Does the dwelling have any live termites or borers?

You have to understand that termites can either create a lot of problems for you or they can be your really good mates.

Termites are Structural Foes

If the termite damage is structural : that is, the damage travels from the footings - a post support to a bearer, to a joist, to a stud, up internal timbers, and into the roof, then that is a major infestation. That might not be the place that you should be buying. Structural repairs can cost serious money, and some may even be terminal.

Termites are Negotiation Friends

Termites like soft timber. They normally keep away from the hard F17 and F27 KD hardwood timbers, like posts, bearers and joists (the structural timbers).

What you can do when you get a building inspection is to get approval from the owner for the the building inspector to take off some of the cladding, and to estimate how far the termites have gone. If they have only done minimal damage, it is great opportunity for negotiations if the house was put on the market without warning that there was some termite damage in there. Sometimes you can get huge amounts off the asking price of a property for minimal work you have to do to restore that house back to a structural integrity. You can also get a pest inspector to locate the termites using heat detector equipment which saves removal of the cladding.

> *"I have negotiated prices down dramatically if or when I spot the termites before settlement." . . . P.E.*

Tips to being visually on top of termite activity:

- Don't have garden beds built up above the building's weep holes. Weep holes are small gaps between bricks in the brick work at just above ground level, that allows moisture to escape.
- Check on that by going right around the house to have a good look. Do this yearly.
- Use ant caps to bring the termites and their mud packs to the surface. Ant caps don't stop the termites but will show you if the termites are there.
- Check paint work for "ripples", which could indicate damage to the timberwork beneath the paint.

Question 8 : How far is the property from train/bus transport?

Increasingly in metropolitan areas, there are now town planning implications if you are close to transport hubs. In some States you can get increased density of construction from 50% of the land up to 60% of the land area if your property is within a certain distance from a train station, for example. There is also a move toward *TODs or Transit-Oriented Developments*. These TODs are little satellite areas right around and next to transport. Even a 400 square metre block, if re-zoned by council in the future, could have considerable development potential (check with your local authority). This move toward TODs is to accommodate the increasing population of our cities by increasing densities dramatically around transport hubs.

Do a little exercise in forecasting:

> *"Get a street directory and a compass, and every time you see a train station or a bus station, draw a 500 metre circle around there. Without a doubt, they are the best areas to invest in for the future." . . . P.E.*
>
> *" I've seen some buildings up 6 - 10 stories built on some of those TODs . . .This move is inevitable because the population is growing, and inner city land is getting scarce. There'll be more people living in those TODs to get on the public transport to get to work. Tenants love it. They can dump the car, save about $6,000 to $7,000 a year, and they can pay more rent to you." . . . . G.D.*

NOTE : This would mean immense capital gain to you if you own a property that is re-zoned as a TOD.

Question 9 : How far is the property from education centres and hospitals?

As a property investor, your favourite person is a working tenant with a steady job, and both education and health facilities are major employers. Hospitals and universities are actually mini-towns and are major tenant generators, even more so than some reasonable sized regional towns.

But while hospitals operate 24/7, 365 days a year, it's different with education. Watch the 'down time' in December and January when the students go on holidays. Try to lock them into a lease that covers that period. Investigate in particular medical students who often have a longer academic year - more likely providing a continuous rental income.

"Student accommodation very close to a university and a hospital and guess what? 50% of the rooms are rented out to people who work over at the university, and 50% are rented out to doctors." . . . P.E.

Additional Research: What other centres are major employers?

Another major employer is an *airport*. The Brisbane Airport, for example, employs 40,000 people full-time. If you have property to service those workers, you've got a guaranteed income.

Question 10 : What is the current rental income of the property?

Check whether the current rent is below market, at market, or above market rents.

A knowledge of market rents combined with our e-book ***116 Ways To Add Value*** is a very powerful tool. We have achieved rent increases of up to 88% by combining a reno strategy with a rental strategy.

You're in the game to make money.

"We come across properties that are under-rented. Quite often, it's a tenant who's been there for a very long time and they've (the owner has) kept the rent down – because they don't want to upset the tenant. Sometimes, the quickest way to make money is to go in and simply increase the rent. You may not even have to lift a paint brush." . . . G.D.

It's as simple as that, but first you need to know what the market rental value of the property is and you need to get appraisals. Check rental appraisals from the marketing agents and two other local property managers.

ADDITIONAL RESEARCH : Reno Kings Tip for assessing the rent - The most accurate way to assess the correct rent is to become a tenant for a day. By looking through the eyes of a tenant at your competition you will know, within a dollar, what rent will get them through the door.

Question 11 : What is the vacancy factor of the area?

This question, which touches on the property's rentability, is critical.

Supply and demand is balanced when vacancies are about 3%. That's 3 houses vacant in every hundred.

Ask the managing agent how many properties he has on his rent roll. Say the figure is 100. If he has 1 house vacant then the market is tight and a property will likely rent quickly with substantial rent increases every, say, 6 months.

If he has 5 vacant, that's 5% vacancy. That is high and means you will lose rent waiting for a tenant. In this situation, rent increases won't happen or will be very small.

You could have areas with vacancy rates of say 10%, and these are investor 'no go' areas. Properties in those areas will just sit there for a long, long time. Desperate landlords end up offering their properties to less than desirable tenants just to get some rent through the door. That's definitely not the way to go.

So, you need to do that research because there is nothing more frustrating than if you've got a property that you've renovated, it's ready for a good tenant, you advertise, and no one responds. Then you're in a 'rental desert'.

You can prevent that problem by:

- Staying in the major cities. Don't go for huge yields in regional places because of a boom in one industry.
- Staying in steady growth areas. Don't go to places where vacancy rates go up and down every couple of years.
- Stay in areas that have a lot of jobs happening in several industries.

Question 12 : What is the historic and projected capital growth of the city/suburb?

Note : Use the resources of reputable researchers like Residex for this. Don't confuse sales growth for capital growth. Understand the difference between median prices, average prices and resale prices of the same home. The best idea would be to just go to someone like Residex who actually chart the values of a property based on re-sales. In other words, what should this property sell for?

Yield or Capital Growth?

> *"People get confused about capital growth and yield. People go for yield and not necessarily for capital growth. I think that's wrong because capital growth will leave you better off in the long term.*

I've got a saying that the rent (you must have cash flow, let's face it) will pay the bills, but in the long run, capital gains will make you rich.

Whatever you do, if you've got the choice between both over the long period of time, find areas to buy in that have historic and projected good capital growth, and don't go solely for the yield." . . . G.D.

Additional Research:

What infrastructure is planned?

Infrastructure may mean highways, tollroads, bridges, bypasses, railways, busways, even new hospitals, universities, or major shopping centres. These can have a massive positive effect on your property.

Some good examples:

- The "Green Bridge" in Brisbane brought the suburb of Fairfield to within 300 metres across the river to the University of Queensland, when it previously took a 12 - 14km trip to get there. That boosted the capital values and rentability of that suburb without people putting a cent towards it.

- The Tugun bypass is another boon for Northern NSW commuters.

Be sure to know the negatives too. Make sure you are not going from a quiet street to full-on noise from a new highway.

Is the population increasing?

The one thing you don't want to invest in is a 'ghost town'. Ghosts don't pay rent!

Your local Council will have population statistics of cities, towns and suburbs. The numbers ***must*** be increasing. The more people, the bigger your market. Falling population means: vacancies, less money going round, no expansion, decreasing taxes, and a slow spiral downwards. Don't overlook interstate and overseas immigrants. Even when the birth rate is low, the influx from these areas can save a city.

"I like being near capital cities or the main, regional large towns. People in cities have kids…kids grow up…leave home and rent…often in the same city or town. A commentator once said: "At about 500,000 people, a town grows itself." It would no longer depend on just one industry, so that is a number I would look for." . . . P.E.

What is the unemployment rate? Is it increasing or decreasing?

Unemployment is an indicator of the health of an area. You want workers who can pay the rent. Unemployed people cannot pay your rent without government assistance, and there is little point in renovating a house in an area if you can't get the rent up.

Question 13 : How many houses/units are there on the market?

If you are looking to renovate a property to sell, then this question will give you an idea of sales demand. A reasonable figure would be 7%, which means 7% of properties in the area are for sale.

If you are researching an area and there are 15% of properties on the market, look out, for there will be a reason - and you need to know that reason. It's no use being out there with heaps of other houses in the market at one time.

Find out what's happening.

A consideration for people buying into unit blocks is how many are on the market. Be careful with situations like that - where there could be 100 units in a large unit block complex and 15% of those are on the market. You will be looking at a loss, should you need to sell.

You want something that's in demand, something that's going to be sought after. So try and find areas where there's a shortage of properties. It just makes sense that if you intend to make money, make sure that there's an undersupply, and high demand, of what you're going to sell.

Question 14 : What is the number of days a property is normally on the market in the area that you're looking at?

Why is this question important? Once again, if you're renovating to sell, this will tell you more about sales demand and gives an indication of how long it takes to sell a house. You need to know how long it takes to sell in a 'normal' market for comparison purposes.

The time the house stays on the market will tell you if it's a slow market. It could indicate that prices may be on their way down. It's starting to be a buyer's market with lots of properties listed and not a seller's market, where there is a shortage of properties for sale.

If you've going into an area that's got good demand, but the market is pretty slow, then that's probably not a bad thing to be in.

> *"I'm pretty sure there's an organization in Australia already plotting how long properties are on the market and can tell you the ones that have been there too long. Then you can go and make offers for those properties. Those people would want to sell them at any cost." . . . G.D.*

The longer on the market a property has stayed, the more negotiable the price will be.

Question 15 : What is the number of days properties are sitting on the market now?

If properties were selling within a month, that indicates a hot market. You'd probably need to be careful buying in that market. In fact, you'd probably want to wait unless you saw a long-term growth pattern happening. But if properties were sitting there for, say,10 months, that's a market you'd want to be in—you'd be able to negotiate, and take your time because there's no need to rush.

> *"Lately we've had those first home owner buyers out there fighting to get property - that's not a market I'd like to be in. I like to be able to make my offer and not be gazumped by anyone coming and making higher offers. " . . . G.D.*

Question 16 : How many industries are there in the area in which you're purchasing?

This is a very important question. If there's only one industry in town, then you are not investing in *property*, you are investing in *that industry* - and all the risk that goes with that industry.

Examples:

- Many years ago the Gold Coast was totally dependent on tourism. Two cyclones came by and wiped out the beaches. Another time there was an air strike which meant no planes, and no tourists. The results from both events were the same—reduced employment, massive vacancies, capital losses and much lower rent.

- Mining towns have had the same reputation for hundreds of years. They come and go. When they go, so does your investment.

- Another problem in mining towns is that there is normally plenty of cheap land around. All of a sudden, the mining company may plan to build hundreds of low-rent houses for their workers, and you're left with vacancies.

If you *are* investing in a regional area, look for towns that have at least 2 or 3 industries to give you a fall-back position if one industry falls over.

Question 17 : What did the current owners pay for the property?

This is a powerful question if you can get the true answer. If the agent or seller doesn't disclose it, you can research the sale from the Office of the Valuer-General in your State for a fee.

This information is powerful because:

- Most people don't like to or won't take a perceived loss on the purchase price unless it is a 'must sell at all costs' property.

  For example: If the vendor(seller) has paid $300,000, he will want to cover costs in and out, which you will find will come to about 8% to 10%. So the vendor needs about $330,000 to break even.

  If the vendor paid $330,000 in, say, January, and is asking $350,000 three months later without doing anything, then it is a bit of a try on! You would be trying to get the property for $330,000 or less.

- If you know what they paid for it and what their asking price is now, then you know how much room you have to negotiate in. Also, it goes back to how long it's been on the market.

  For instance, if a house has been on the market for a short time and they had bought it for a high price, how negotiable are they going to be? Not very. But let's say a person's held the house for, say 30 years, had bought it for what seems now an unbelievable price, and it's been in the market for a long time. Because of the long period of ownership and substantial capital growth, they will probably be more negotiable on price.

So find out: ***What did they pay for it?***

That's a very, very powerful question.

Question 18 : How long has the property been on the market?

If the property was listed yesterday it's unlikely that you would 'steal' it at a bargain price today.

We've found out that properties, especially over-priced ones, do go stale and prices do get more negotiable.

> *"I've seen situations where all the agents give up on properties for varied reasons. Then the market, if it's a fast moving market, has passed them by. All of a sudden, they're 10%-20% below the market. You can really pick up good deals this way." . . . G.D.*

If the property has been on the market a long time and the price has not lowered - in fact it may have gone up – then you may find the seller is a "tyre kicker" . . . someone the agent has convinced to put the house on the market, but does not need to sell. Don't waste your time on these properties unless the market growth now makes them worth buying.

Question 19 : Have you had any offers?

The answer to this will give you a guide to the bottom line. If a property is on the market at $350,000, and the sellers have turned down $348,000 then they are obviously not too keen to sell.

Or if they've only had a 'steal' offer of, say, $250,000, then somewhere between the $250,000 and, say, $315,000, is where you would pitch your first offer. Remember, you can always go up but it's very hard to reduce your offer once it is made. Don't be embarrassed to make a low offer. The idea is to get a response from the seller. The property market is an ocean packed with property fish of all types. You are fishing with some bait (offers) and you are looking for a bite. Once the offer is near the mark you *will* get a bite.

Always ask this question. Agents don't normally tell you, but there are others who do. If they do, then you'd have to interpret if they're telling the truth. Certainly new agents tell you these things and it does give you some kind of a baseline you can work from. Of course, some won't tell you straight away. This comes after a period of time as you build up a rapport with the agent.

Question 20 : What would buy it?

This question is deceptively simple, but always the one I use every day of the week.

It drives the agent into a quiver. You have just mentioned the magic B-word : 'BUY'and have asked for the bottom line.

This cuts to the chase quite quickly.

> *"**What would buy it?** I'll ask this, and I'll look straight into the agent's eyes. They'll look at me and think, **"He's serious, this guy."** And you'd be surprised. I've had some unexpected drops in price after asking that question." . . . G.D.*

Mind you, you don't ask it straight away. The right time might be after a long discussion, some feeling out of the price, and after a build-up of rapport with the agent. You would have convinced the agent that you are not a tyre kicker, you have your finance organised, and have established a pattern of making an offer if the price is right. This establishes you as a serious 'property player'.

Here is a prime example:

> There was an ad in the paper for a house and accepting offers above $350,000. What does that mean? It doesn't mean anything. It means $350,000 and $1. And I said to agent, *"I'm going to buy it right now. What would buy it?"*
>
> She said*, "I think $320,000."*
>
> Crikey, there's $30,000 already off it. I made $30,000 in less than 30 seconds. And that's just one question. Right, let's start negotiating, because I know the bottom line now.
>
> See how simple that question is?

That's a question that you don't ask over the phone or send in an email. You look them in the eye, put your hand on your heart, put your other hand on your wallet and say

"I believe I've got the finance. What would buy it?"

> *"That's a most powerful question. I don't know why but I think Australians are a little bit backward in asking that question. When you go and buy white goods, for instance, you don't mind asking that question, and don't mind asking for a discount, do you? You never go out there and buy a refrigerator for exactly what they ask. With housing, you should find it no different. The best thing you can possibly do is ask: **What will buy it?**" . . . G.D.*

SUMMARY AND ADDITIONAL NOTES

On your dealings with the agent . . .

- Advise the agent you want to look at the properties they do not want to show. i.e. properties that are dirty, have difficult tenants, and are aesthetically challenging
- Do not negotiate on properties that have no twists i.e. renovation, subdivision, etc.
- Negotiate on properties with high land value content
- Enquire what the UCV is and check authenticity
- Check rental appraisal from the marketing agents and two other local property managers.
- Enquire from all three offices their vacancy factors
- Enquire why the vendor is selling
- Establish how long the property has been on the market
- Is it a rental property?
- What price would buy it?
- How much did the vendor buy it for?
- Size and zoning of the land
- Look for the twists but ***never*** expose them

On negotiating . . .

- Keep your enthusiasm in check - no “oohs!!” and “aahs!!”
- It’s not cute: It’s small.
- It’s not bright: It’s dingy.
- Everything you find that has a fault: Let everyone know. Everything good: Keep it to yourself.
- Turn positives into negatives :

  The Agent says – *“It’s close to transport.”*

  Your Response should be – *“You’re right. I can hear it!”*

- *Remember, too many people spend too much time negotiating the price instead of negotiating the conditions – if the market is surging, why not pay the price, or even more, in exchange for a twelve month contract (settlement period)?*

On dealing with valuers . . .

- Obtain names of the lending institution's panel of valuers. Ring and interview them.
- Ask pertinent questions. i.e. their costs, their knowledge and opinion of your area.
- Build up a rapport on a first name basis.
- Never have a valuer be instructed by anyone but yourself.
- Never have a valuer inspect a property without you in attendance.
- Be professional – meet them on site. Exchange business cards.
- Never allow interference or comments by tenants. Inspect when they are out.
- Never have the same valuer who inspected the property at the time of purchase, inspect it when revaluing after a reno. They will see the original 'run-down' dump, not the glamourous new diamond.

Do your homework . . .

- The valuer will ask what improvements have been undertaken. Have a list with costings ready. Remember to include an estimate of your labour at market rates.
- The valuer may ask what you think the property is worth. Have this figure worked out and supported with the following:
  - Two estimates of the property's worth made by local real estate agents.
  - Three properties of similar appearance that have been sold recently for the price you want on your valuation, but the properties must be situated close by.
- Inform the valuer why you want this particular valuation amount, i.e. refinance.
- Advise the valuer you are a professional property investor with an astute knowledge of the market in this area.
- Have a rental appraisal in writing to confirm achievable income. Increase your rents before you revalue. That's the rent the valuer will use to confirm the value of your investment property.
- The average valuer conducts up to eight inspections a day, therefore do not expect them to spend any great deal of time on your particular property. Have all your paperwork in duplicate, and hand them a copy. This may help in obtaining the valuation you require.
- Look how important this is :
  You spend 3 days researching and verifying the value of your property. The valuer spends 3 hours. Because of your efforts you achieve a value of $50,000 more than the conservative valuer would have given you without your research. When you approach the bank for a loan they would probably lend you 80% of the equity gain – that's 80% of $50,000 or $40,000. If you use that $40,000 as a 20% deposit you can buy property worth 5 x $40,000 = $200,000. That's why this homework is ***vital***.